# Impact of Credit Unions and Mortgage Finance Companies on the Canadian Mortgage Market

## THE RESEARCH

Unregulated mortgage finance companies (MFCs) are originating a growing number of residential mortgages. At the same time, federal regulation now allows for the expansion of credit unions beyond their provincial markets. The goal of this research is to provide a greater level of understanding of the risks and impacts stemming from credit union and MFC business models and activities in the Canadian mortgage market.

## PROJECT OVERVIEW

To conduct this research, CMHC commissioned a survey of representatives of large MFCs along with a review of financial reports, regulatory filings and relevant publications. Beyond this, analysis of available and relevant financial and economic data was used in the development of this report.

### Fast Facts

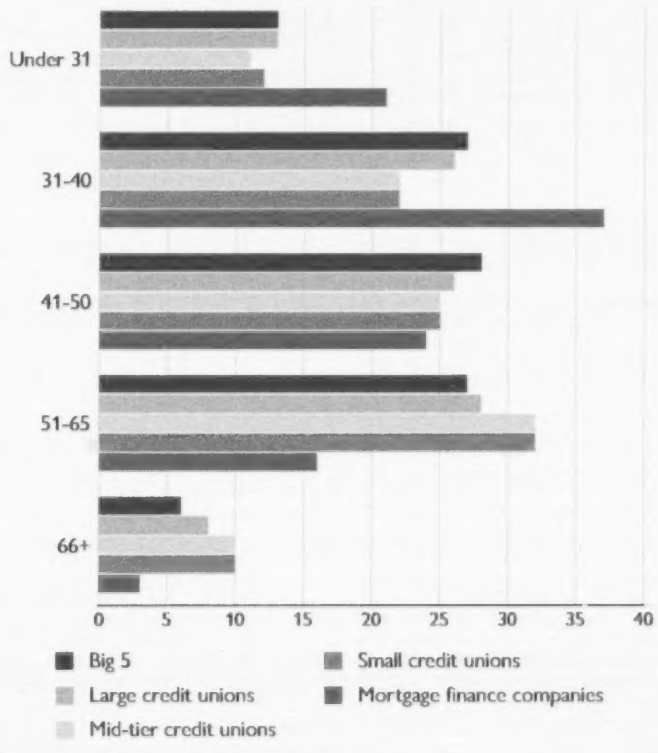
- Three types of institutions dominate the Canadian mortgage industry: Schedule 1 chartered banks, credit unions and MFCs.
- These institutions represent 91% of outstanding credit.
- MFCs have a disproportionate volume of younger homebuyers, largely driven through mortgage brokers.
- Credit unions have historically served older homebuyers and small business owners.

## KEY FINDINGS

- MFCs and credit unions accounted for 17% of the mortgage market in 2016.
- Credit unions tend to have local market expertise that allows them to extend mortgages to borrowers deemed higher risk by other lenders.
- Both credit unions and MFCs exhibit strong risk management practices; as well, despite being unregulated, MFCs tend to align their practices with OSFI guidelines to ensure they can maintain business relations with regulated banks.
- MFCs and credit unions are not increasing risk to the mortgage market with delinquency rates below those of other lenders.
- The 2016 regulatory changes have limited MFCs' ability to compete and serve certain segments of the market, most noticeably homeowners refinancing and homebuyers seeking properties over $1 million in value.

**MFCs originated 58% of their residential mortgage volume from homebuyers younger than 41, and credit unions originated the largest portion of their volume (36-42%) from those older than 50.**

Figure 1: Age Distribution of Residential Mortgage Origination by Lender Type, 2016




Source: Deloitte

## IMPLICATIONS FOR THE HOUSING INDUSTRY

Presently, both MFCs and credit unions present minimal risk to the Canadian mortgage market. As these organizations continue to modernize and adjust to new market conditions and regulations, CMHC will continue to monitor their impact and risk.

Canada

CMHC SCHL

## FURTHER READING

Full report – *Impact of Credit Unions and Mortgage Finance Companies on the Canadian Mortgage Market* (https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/research_2/impact_of_credit_unions_w.pdf)

**Project Managers:**
Richard Gabay and Michael Oram
Housing Finance
Canada Mortgage and Housing Corporation

**Consultant:**
Deloitte

©2018, Canada Mortgage and Housing Corporation
Printed in Canada
Produced by CMHC 09-08-18 69376

cmhc.ca

Although this information product reflects housing experts' current knowledge, it is provided for general information purposes only. Any reliance or action taken based on the information, materials and techniques described is the responsibility of the user. Readers are advised to consult appropriate professional resources to determine what is safe and suitable in their particular case. Canada Mortgage and Housing Corporation assumes no responsibility for any consequence arising from use of the information, materials and techniques described.

# ALTERNATIVE TEXT AND DATA FOR FIGURES

**Figure 1: Age Distribution of Residential Mortgage Origination by Lender Type, 2016**

| Lender Type | Age | | | | |
|---|---|---|---|---|---|
| | Under 31 | 31-40 | 41-50 | 51-65 | 66+ |
| Big 5 | 13 | 27 | 28 | 27 | 6 |
| Large credit unions | 13 | 26 | 26 | 28 | 8 |
| Mid-tier credit unions | 11 | 22 | 25 | 32 | 10 |
| Small credit unions | 12 | 22 | 25 | 32 | 10 |
| Mortgage finance companies | 21 | 37 | 24 | 16 | 3 |

Source: Deloitte